

Message Text

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ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 SP-02 L-01 TRSE-00 NSC-05 NSCE-00

CIAE-00 INR-05 INRE-00 SSO-00 EB-03 DODE-00 H-01

PRS-01 /039 W

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O 062100Z JUL 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 831

C O N F I D E N T I A L LIMA 6124

LIMDIS

FOR UNDER SECRETARY MAW; ARA - ASST SECY SCHLAUDEMAN;
S/P - DR. EINAUDI; L/ARA - MR. GANTZ, TREASURY - MR. MARESCA

EO 11652: GDS

TAGS: EIND, EINV, BDIS, PFOR, PE

SUBJ: PERUVIAN BALANCE OF PAYMENTS FINANCING AND THE
MARCONA AND GULF ISSUES

REF: LIMA 5898, LIMA 6065, LIMA 6076

1. MINISTER OF ECONOMY AND FINANCE LUIS BARUA INFORMED AMBASSADOR EVENING JULY 5 THAT PERUVIAN FINANCIAL MISSION TO THE U.S. HAS BEEN SOMEWHAT DELAYED AND SCENARIO RECAST. FIRST OF PERUVIAN GROUP (WHICH WE UNDERSTAND FROM ANOTHER SOURCE WILL CONSIST OF CARLOS SANTISTEVAN, FERNANDO REUS, AND CLAUDIO HERZKA) WILL ARRIVE IN NEW YORK OVER WEEKEND JULY 10-11, AND WILL MEET WITH U.S. BANKERS WEEK OF JULY 12. THEN, AS BARUA TOLD AMBASSADOR, HE WILL FLY TO NEW YORK FOR FURTHER MEETINGS WITH BANKERS BEGINNING JULY 19. DURING COURSE CONVERSATION, BARUA MADE A STRONG PITCH FOR USG SUPPORT IN OBTAINING SOME \$400 MILLION IN BALANCE OF PAYMENTS FINANCING FROM CONSORTIUM OF LEADING U.S. BANKS.

2. AMBASSADOR TOOK OPPORTUNITY TO EXPRESS GENELBPYRFUQGA#
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LHECZION#WITH RECENT GOP ECONOMIC MEASURES WHICH WERE

NEEDED TO RATIONALIZE ECONOMY, INCLUDING DEVALUATION, REDUCTION IN PUBLIC SECTOR EXPENDITURES, INCREASING REVENUES, AND REVISING WAGE AND PRICE CONTROLS, THOUGH AMBASSADOR DID NOTE THAT SOME NEEDED MEASURES (E.G. STIMULUS TO PRIVATE SECTOR) WERE YET TO BE TAKEN. ON BALANCE, HOWEVER, AMBASSADOR REITERATED, NEW ECONOMIC MEASURES TAKEN WERE CONDUCTIVE TO STABILIZATION OF ECONOMY, AND APPEARED TO BE ALONG GENERAL LINES WHICH WOULD MEET WITH APPROVAL OF IMF OR LEADING COMMERCIAL BANKS. UNFORTUNATELY, AMBASSADOR

ADDED, THE FACT HAD TO BE FACED THAT U.S. BANKS WOULD BE LESS PRONE

TO LEND SUBSTANTIAL SUMS TO PERU IF OUTSTANDING EXPROPRIATION CASES--MARCONA AND GULF--REMAINED UNRESOLVED. THE HICKENLOOPER AND GONZALAEZ AMENDMENTS ARE A FACT OF LIFE. U.S. BANKERS ARE WELL AWARE THAT UNRESOLVED EXPROPRIATION CASES CAN LEAD TO BILATERAL PROBLEMS THAT CAN AFFECT THE CREDITWORTHINESS OF EXPROPRIATING COUNTRIES.

3. WHEN BARUA EXPRESSED VIEW THAT MARCONA (LIMA 5989) AND GULF (LIMA 6065) WERE "PRACTICALLY RESOLVED", AMBASSADOR REPLIED THAT HE HAD BEEN REPORTING FREQUENTLY TO WASHINGTON THAT GULF ISSUE WAS NEAR RESOLUTION DURING COURSE OF PAST 14 MONTHS, ADDING THAT MARCONA CASE WAS NOW ALMOST ONE YEAR OLD, AND STILL UNSETTLED. HAVING THESE CASES "PRACTICALLY RESOLVED" IS NOT, AMBASSADOR SUGGESTED, THE SAME THING TO USG OR TO U.S. BANKERS AS HAVING THEM PERMANENTLY SETTLED. WITH FINAL RESOLUTION OF THESE CASES, USG COULD GIVE MORE FULSOME SUPPORT TO PERUVIAN FINANCIAL MISSION. BARUA AGREED WITH AMBASSADOR'S VIEWS, AND EXPRESSED THOUGHT THAT PERHAPS UNDER SECRETARY MAW COULD COME TO LIMA THIS WEEK TO SETTLE MARCONA. AMBASSADOR PROMISED TO REPORT THIS CONVERSATION BY CABLE TODAY (JULY 6) BUT DID NOT GIVE ANY INDICATIONS THAT SUCH A TRIP MIGHT BE POSSIBLE. BARUA SAID THAT, IDEALLY, MARCONA SETTLEMENT SHOULD BE PART OF "PACKAGE" OF GOP ECONOMIC MEASURES TO PRESENT TO U.S. BANKS.

4. AMBASSADOR'S REMARKS TO BARUA, REPORTED IN DETAIL ABOVE, WERE REPEATED IN SOMEWHAT SIMILAR VEIN TO LT. GEN. LUIS GALINDO, MINISTER OF LABOR AND TO AIDE OF PRESIDENT
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MORALES BERMUDEZ, BOTH OF WHOM PROMISED TO REPORT THESE VIEWS TO PRESIDENT PROMPTLY. IN RELATED CONVERSATIONS, MINISTER OF COMMERCE ARIAS IN RECENT DAYS HAS ASKED AMBASSADOR FOR U.S. SUPPORT AT THIS TIME, SUGGESTING THAT ALTERNATIVE TO SURVIVAL OF PRESENT GOVERNMENT IS BLEAK INDEED. MINISTER OF NAVY, ADMIRAL PARODI, HAS ALSO MADE DESPERATE PLEA FOR U.S. SUPPORT BOTH TO DAO (USDAO LIMA MSG DTG 022300Z JUL 76) AND TO AMBASSADOR.

5. LATE MORNING JULY 6, AMBASSADOR JOSE DE LA PUENTE, UNDER SECRETARY FOR ECONOMIC AFFAIRS AT MINISTRY OF FOREIGN AFFAIRS, AND CHAIRMAN OF GOP MARCONA COMMISSION, PHONED AMBASSADOR AND INFORMED HIM THAT HE WAS CALLING MARCONA COMMISSION INTO EARLY SESSION, AND WOULD HAVE SOMETHING TO REPORT TO AMBASSADOR "SHORTLY".

6. COMMENT:

A. BASED ON AMBASSADOR DE LA PUENTE'S CALL THIS MORNING, WE BELIEVE THAT OUR MESSAGE ON IMPORTANCE OF MARCONA SETTLEMENT HAS GOTTEN THROUGH, AND THAT WE CAN EXPECT EARLY ACTION ON GOP'S PART IN ATTEMPT RESOLVE MARCONA ISSUE.

B. WHILE WE ARE NOT FULLY AWARE OF EVENTS WHICH MAY HAVE TRANSPIRED IN RECENT DAYS IN WASHINGTON BETWEEN DEPARTMENT AND PERUVIAN CHARGE, WE DO UNDERSTAND FROM REMARKS MADE BY AMBASSADOR DE LA PUENTE THAT SOME PROGRESS HAS BEEN MADE. WE THINK THAT THESE NEXT FEW DAYS MIGHT OFFER BEST OPPORTUNITY EVER TO RESOLVE MARCONA ISSUE; AFTER ALL, OUR BARGAINING POSITION IS STRONGER BEFORE THE GOP FINANCIAL MISSION MAKES ITS PITCH, GIVEN THE FACT THAT BARUA SEES MARCONA SETTLEMENT AS POSITIVE STEP TOWARD OBTAINING NEEDED BALANCE OF PAYMENTS FINANCING.

C. IF MARCONA AND GULF ISSUES SETTLED (LATTER REQUIRES ONLY UNILATERAL ACTION BY GOP, SEE LIMA 6065), THEN AMBASSADOR AND HIS PRINCIPAL ADVISORS ON COUNTRY TEAM BELIEVE THAT WE SHOULD GIVE ALL APPROPRIATE SUPPORT TO GOP FINANCIAL MISSION IN ITS SEARCH FOR NEEDED CREDITS. ECONOMIC MEASURES THUS FAR ANNOUNCED CAN ONLY BE CONFIDENTIAL

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SIDERED HEROIC UNDER PRESENT POLITICAL CONDITIONS.
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NOTE BY OC/T: #AS RECEIVED. CORRECTION TO FOLLOW.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, COMPENSATION, PFOR, DIPLOMATIC DISCUSSIONS, BALANCE OF PAYMENTS, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 JUL 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: powellba
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA06124
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: RR
Errors: N/A
Film Number: D760260-0915
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760788/aaaaczth.tel
Line Count: 158
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 76 LIMA 5898, 76 LIMA 6065, 76 LIMA 6076
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 17 FEB 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 FEB 2004 by morefirh>; APPROVED <28 OCT 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PERUVIAN BALANCE OF PAYMENTS FINANCING AND THE MARCONA AND GULF ISSUES
TAGS: EIND, EINV, BDIS, EFIN, PFOR, EMIN, PE, US, GULF, MARCONA, (DE LA PUENTE, JOSE)
To: SECSTATE WASHDC
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006